



**STATEMENT BY  
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**Second Growth and Resilience Dialogue  
15 February, 2018  
(ECCB Headquarters, St Kitts and Nevis)**

**Salutations:**

Members of the Monetary Council (Prime Minister Chastanet, Premier Romeo, Minister Gonsalves)

Hon. Mark Brantley, Premier of Nevis

Ministers of Governments

Leaders of the Opposition

Dr. Didacus Jules, Director General of the OECS Commission

Deputy Governor of the ECCB

Members of ECCB Board

Professor Lino Brugglio, our Featured Presenter

Management and Staff of the ECCB

Mr. Kevin Hope, Representative of the Caribbean Development Bank

Social Partners: Business, Labour Unions, Churches, Civil Society, CARICOM Youth Ambassadors,

Members of the Media

Citizens and Friends of the ECCU (many of whom have join us via our live stream)

**Introduction**

On behalf of Prime Minister Roosevelt Skerrit, Chairman of the Monetary Council and on my own behalf, I wish to welcome everyone to our Growth and Resilience Dialogue and to the Eastern Caribbean Central Bank.

This is your Bank. We work for you.

I do recognise many familiar faces together with some newer faces, some of whom I met during our Country Outreach.

Is anyone visiting ECCB for the first time? I extend special welcome to you.



Last year was the inaugural Growth Dialogue. We listened to your feedback, learnt and have made some adjustments. I hope you find them to your satisfaction. In any event, we continue to welcome your feedback.

Our theme this year is “**Working Together to Raise Growth Levels and Build Resilience in the ECCU**”. Resilience essentially refers *the capacity to withstand, adapt and rapidly recover from shocks and stresses*. In the context of the climate change, climate resilience for the Caribbean means the capacity of our region to withstand, adapt and rapidly recover from increasing frequent and extreme weather events.

Against the backdrop of a brutal hurricane season, our Growth Dialogue has been appropriately renamed the Growth and Resilience Dialogue. In so doing, it is expressed intention to give voice and visibility to our region’s resolve to build resilience. Furthermore, the ECCB stands ready to play its part in CARICOM’s stated ambition to become the first climate resilient zone in the world. Prime Minister Skerrit has averred that Dominica will seize the opportunity and lead the way by becoming the climate resilient country.

Equally motivating is that we are painfully cognisant that our efforts to attain and sustain our growth target of 5 percent would be frustrated and futile if we fail to reduce growth volatility by increasing resilience.

## **Recent Developments**

Within the ECCU, the damage and loss of Hurricanes Irma and Maria are estimated around \$5 billion for our five countries: Anguilla, Antigua and Barbuda, the Commonwealth of Dominica, St. Kitts and Nevis and Montserrat. The ECCB continues to support, in practical and technical ways, the recovery of our hurricane impacted countries and commend them on their recovery efforts to date.

Prior to the hurricanes, the ECCU was on track to record its fastest growth in a decade (in excess of 3 percent) instead the ECCU is estimated to have grown by 2.3 per cent. We anticipate some recovery in 2018 and an acceleration in 2019. As a consequence, our projections are for growth of 2.2 per cent in 2018 and 3.7 per cent in 2019 (**Slide 2**).

In face of these latest shocks, our Currency Union remains resilient and our EC dollar remains strong. As of last Friday, 9 February, our dollar was backed by 97.1 per cent (**Slide 3**).



Our regional economic recovery is likely to be boosted by the expansion of the global economy which is now growing at its fastest since 2010. According to the January *World Economic Outlook*, the global economy is expected to grow by 3.9 per cent this year and next year. In respect of our major trading partners: the USA projects growth of 2.6 percent while the UK is projected 1.8 per cent weighed down by the uncertainty of BREXIT (**Slide 4**).

### ***How Should the ECCU proceed?***

From the perspective of the ECCB, we are of the firm conviction that we must accelerate the pace of reforms if we are to elevate the trajectory of growth and job creation and simultaneously build resilience. The average ranking in the ECCU is 117<sup>th</sup> out of 190 countries. Our aspiration is to break into the top 50 (**Slide 5**).

India recently jumped 30 places to break into the top 100 in the Ease of Doing Business Index propelled by the mantra of the Indian Prime Minister: **reform, perform, transform**. During that process, states have engaged in healthy rivalry to improve their business environment and attract more investment. If large India can do it, why can't our small States in the ECCU?

At the ECCB, we are highly motivated to implement our Strategic Plan which is styled ***Transforming the ECCU Together*** (**Slide 6**). If you have not read it, I urge to visit our new website, familiarise yourself with it and become an implementation partner.

Today, we particularly urge adoption of the following growth and resilience reforms (**Slide 7**):

### **Fiscal Resilience Legislation**

Some call it fiscal rules. Others call it fiscal responsibility. At ECCB, we now call it fiscal resilience and regard it as an important pillar in building institutions, one of the four priorities emanating from the inaugural Growth Dialogue.

The World Bank in its insightful publication: *Taming Volatility*, found that the growth performance of ECCU member countries was subject to considerable volatility. In layman's terms: significant fluctuations in growth, boom and bust, the yo-yo syndrome, as a consequence of shocks be they natural disasters or the global financial crisis.



The publication argues that a key reform to address this volatility is the adoption of fiscal rules. As Governor, I have consistently advocated for fiscal resilience to ensure that governments do not spend more than they earn but even more importantly develop the fiscal space to pursue countercyclical fiscal policy which simply means when the economy is growing, governments spend relatively less and when the economy is down, the governments spend relatively more to cushion the effects of the downturn on the population and support the resumption of growth in the shortest possible time.

I have shared my own experience as a financial secretary during the great recession when Grenada, like many other countries, had no choice to but to cut capital expenditure which is the growth side of the national budget. To date, two countries: Anguilla and Grenada have such legislation. Others are now considering same.

## **Economic and Social Resilience**

In respect of our infrastructure, enhanced building codes must be adopted and enforced to help climate-proof our vulnerable infrastructure. Of course, climate finance (grants and highly concessional loans) are needed to make these investments nor just for mitigation but adaptation. In addition, risk transfer mechanisms must be expanded that includes scaling up coverage by the CCRIF SPC.

As we strive for sustained and sustainable development, an education transition is required. “Mindful of the Future of Jobs Report” published by the *World Economic Forum* which identifies skills for the 21<sup>st</sup> century, we must effect a **shift** in our education system from subjects to skills to deliver:

- technical skills such as coding;
- creative skills such as creativity and mathematical reasoning;
- complex problem solving; and
- social skills such as active listening and critical thinking.

In this regard, the ECCB will continue to sponsor two students every year (as we done since 2016) to participate in the Student Programme for Innovation in Science and Engineering (SPISE) organised by the Caribbean Science Foundation.



Let me be clear, a sound basic education is still a necessity but we must deploy our above average spend on education (vis-à-vis other developing countries) to bridge the gap between the education system and the labour market by effecting more effective education outcomes.

## **Renewable Energy Development**

We all know that the Caribbean is among the lowest emitters of greenhouse gases yet, is among the hardest hit by climate change. We must accelerate our transition to energy efficiency and renewable energy inclusive of solar PV, wind and geothermal with the clear expectations of reducing both our carbon emissions and our electricity costs.

While there have been some initial efforts to move in that direction with the introduction of solar farms at some of airports in St. Kitts and Nevis and Antigua and Barbuda and solar PV street lights in some countries, the pace of adoption has been slow. As we speak, the reality is that **only about 6 percent of our energy in ECCU is derived from renewables** with more half this coming hydropower in the Commonwealth of Dominica and St. Vincent and the Grenadines (**Slide 8**). I wish to indicate that the ECCB is itself pursuing a greening of our campus initiative with the explicit objective of becoming carbon neutral by 2022.

The adoption of renewables is good for the environment, our economies in respect the cost of doing business and also for the backing of our currency as we will spend considerably less foreign exchange on energy after the initial capital investment.

## **Growth and Resilience Fund**

We have begun research on the establishment of a Growth and Resilience Fund to finance key investments using a limited portion of our reserves. This Fund will complement national instruments such as Contingencies Fund and CCRIF SPC, the regional catastrophe risk pool formerly known the Caribbean Catastrophe Risk Insurance Facility. The potential sources of the funding are Governments, the ECCB and development partners.

## **Expectations for the Dialogue**

What do we expect from this Dialogue?

We believe the first step in tackling big regional issues is to get the right people around the table. The convening of social partners and key stakeholders as we have assembled today is an advance in this regard.

We anticipate a rich exchange of views not only about our challenges but opportunities to accelerate growth and build resilience in our region.



It is our hope that this Dialogue will help to forge consensus and propel the implementation of the Growth and Resilience Action Plan. Fundamentally, in-country buy-in is essential as these plans must dovetail with national plans and be implemented in synchrony “on the ground”, for maximum development impact.

I wish to recognise and thank our leading development partners in this Dialogue: the OECS Commission and the Caribbean Development Bank. We look forward to our continued collaboration for the good of the people of this region.

## **Conclusion**

Before I conclude, I wish to take a moment to recognise the hard work of the men and women at the ECCB. They work hard. And they have worked hard to prepare for this Dialogue. Please join me in giving them a round of applause.

I urge us to engage fully today in the discussions which will follow. And have some fun. Let us leave here even more committed to make a difference in this region we call home and love so dear.

Let us go forth and take collective action with: nowness, boldness and togetherness.

God bless you all.

I thank you.



## References:

OECD Definition of Resilience

World Economic Outlook, January 2018

Taming Volatility, World Bank

2018 Ease of Doing Business Report

World Economic Forum: Future of Jobs Report

Rocky Mountain Institute-Carbon War Room

ECCB Strategic Plan 2017-2021